

CERF



COUNTY EMPLOYEES' RETIREMENT FUND

Summary Annual Report

For the Fiscal Year Ending December 31, 2012

Helping you build a brighter tomorrow

COUNTY EMPLOYEES' RETIREMENT FUND

CERF Pension Plan Information

CERF Administrative Office
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Telephone: (573) 632-9203
Toll-Free: (877) 632-2373
Facsimile: (573) 761-4404
Website: www.mocerf.org
E-mail: admin@mocerf.org

CERF Savings Plan Information

Great-West Financial
133 South 11th Street, Ste. 230
St. Louis, MO 63102

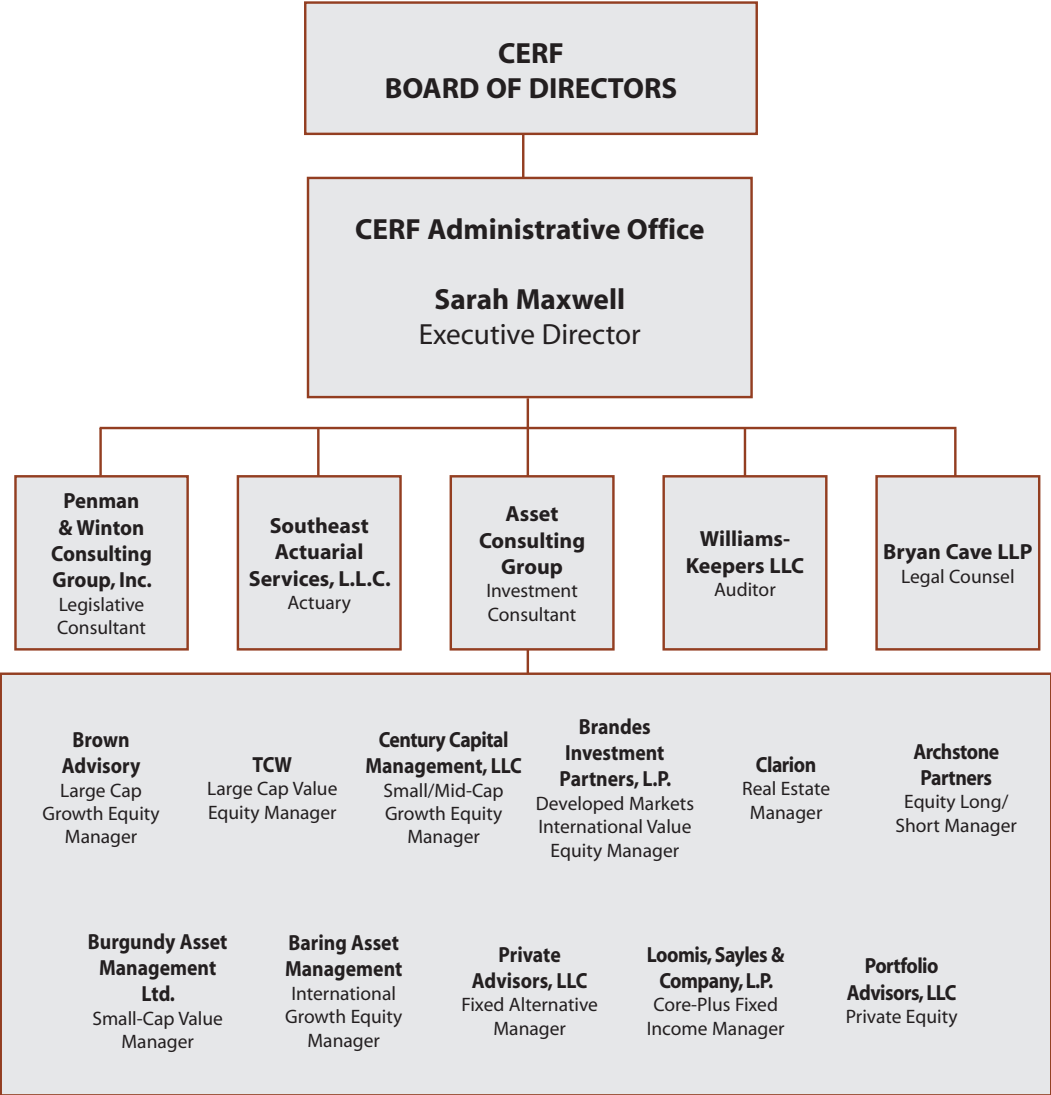
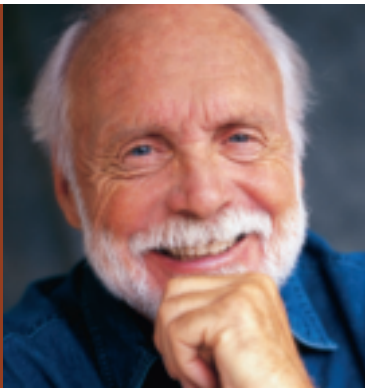
Toll-Free: (877) 895-1394
Facsimile: (855) 785-7329
Website: www.gwrs.com*
E-mail: james.ellison@gwrs.com
KeyTalk® Info Line: (800) 701-8255*

*User Name and Personal Identification Number required.

COUNTY EMPLOYEES' RETIREMENT FUND 2012 Board of Trustees

Jim Atchison – Board Member
Mark Bridges – Board Member
Ken Dillon – Board Member
Conny Dover – Board Member
Rosemary Gannaway – Secretary
Elaine Luck – Chair
Kay Murray – Board Member
Jerry Reynolds – Board Member
Wayne Scharnhorst – Vice-Chair
Sherry Shamel – Board Member
Vacant – Board Member

ADMINISTRATIVE STRUCTURE



This Annual Report is distributed for informational purposes only. The full text of actuarial reports, financial statements and audit materials is available upon request pursuant to Missouri's Open Records Law. To obtain any of these documents, you may send a written request to the plan administrator at:

*CERF Plan Administrator
2121 Schotthill Woods Drive
Jefferson City, MO 65101*

The actual language of the statutes and rules and regulations creating and implementing the County Employees' Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees' Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.

CERF Pension Plan

Eligibility

Full-time employees (scheduled to work at least 1,000 hours a year) are eligible to participate in the Pension Plan. Part-time and seasonal employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.

Participation

Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time and seasonal employees begin participating once they become eligible.

Contributions

House Bill 1455 requires all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county receipts in the form of contributions, fees and penalties.

Vesting

A participant is vested after eight years of continuous creditable service during which pay is earned and received for at least 1,000 hours in each of those eight years.

Prior Service

Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.

Early Retirement

Members have the option of retiring as early as age 55 (with eight years of creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment on or after January 1, 2000, and meet other eligibility requirements.

Cost-of-Living Adjustment

The Board may authorize a Cost-of-Living Adjustment (COLA) each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. COLAs will become effective on July 1 of each year.

Survivor Benefits

ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000.

NON-VESTED MEMBERS: Senate Bill 625, effective 8/28/2012, allows a refund of contributions to the beneficiary(ies) of active members who die after December 31, 2002, and before becoming vested.

MARRIED, VESTED MEMBERS: If a vested participant dies before his or her pension begins, his or her surviving spouse can apply for a 50% spousal pension benefit.

SINGLE, VESTED MEMBERS: House Bill 795, effective 8/28/04, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2004.

RETIRED MEMBERS: Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option selected on his or her benefit calculation. Members who terminate employment or retire on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.

CERF Savings Plan

Eligibility

A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.

Automatic Contributions

Effective January 1, 2000, a member who is not in LAGERS is required to contribute .7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.

Voluntary Contributions

In 2012, participants may contribute up to the lesser of \$17,000, or 100% of their includible compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.

Matching Contributions

Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who earn and receive pay for at least 1,000 hours during the year, retire at age 62, or die while employed by the county, and will be deposited into member accounts as soon as administratively feasible after the plan year has ended. Any matching money granted to member accounts will be deposited into the 401(a) portion of their account.

Vesting

Members are always 100% vested in their automatic (.7%) and voluntary (457 plan) contributions, and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire), or if they die during the plan year.

Investment Options

A broad range of investment options is available, including the option to pick individual funds or invest through a selected portfolio.

Making Changes

Participants may change the amount of their contributions on a quarterly basis and can stop 457 plan deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either KeyTalk at 800-701-8255 or the website at www.gwrs.com. You will need to use your user ID and personal identification number (PIN) provided to you by Great-West.

Payment Options

Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, lump sum, or periodic distributions if the account balance is \$5,000 or more.

Rollovers and Plan Transfers

Members who have other qualified 457 or 401(a) or (k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.

Need More Information

For more information on the CERF Savings Plan, please see the contact information on the first page of this document or call the CERF Administrative Office for a copy of the most recent Savings Plan brochures.

Investments

CERF Investment Portfolio Guidelines and Objectives

CERF’s primary focus for the investment portfolio is to invest the pension fund assets in a manner which is in the best interest of the fund’s participants.

CERF’s Board of Directors has devised an Investment Policy which articulates the fund’s goals, objectives, and risk parameters. CERF’s Investment Policy states that the pension fund portfolio should be diversified among various investments, with the objective of achieving attractive investment returns within prudent risk parameters over a long-term time horizon.

Total Portfolio Performance

The CERF investment program has been postured for the long-term. As such, the total pension fund’s specific objectives relate to both return and risk, and are long-term focused.

The following chart summarizes the pension fund’s results compared to the objectives defined by the investment policy:

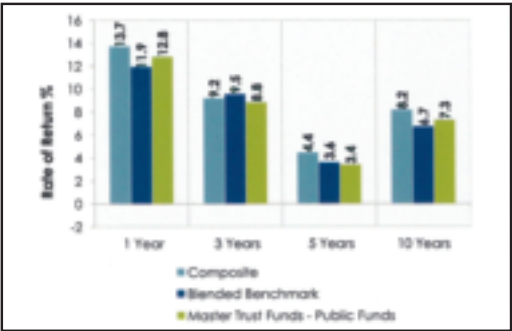
Total Pension Fund Performance vs. Objectives Since Inception (December 31, 1994 - December 31, 2012)

	Benchmark	CERF
• At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption by 1% on an ongoing basis.*	9.0%	8.7%
• The Pension Fund’s annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.4%	8.67%
• The Pension Fund’s total return should exceed the total return of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital Aggregate Bond Index	8.2%	8.7%
• The Pension Fund’s level of risk, as measured by Standard Deviation, should be consistent with the risk of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital Aggregate Index	10.3	10.1

*The desired objective on a long-term is to achieve an excess return over the actuarial assumption by 1%, which is an absolute objective of 9%, net of management fees and transaction costs.

The chart below shows CERF’s investment performance compared to relevant benchmarks for the one, three, five, and ten year periods ending December 31, 2012. CERF’s portfolio outperformed both the benchmark and the median public pension fund in 2012 and for most of the other periods.

Total Portfolio Performance For the Periods Ending December 31, 2012



Total Portfolio Asset Allocation

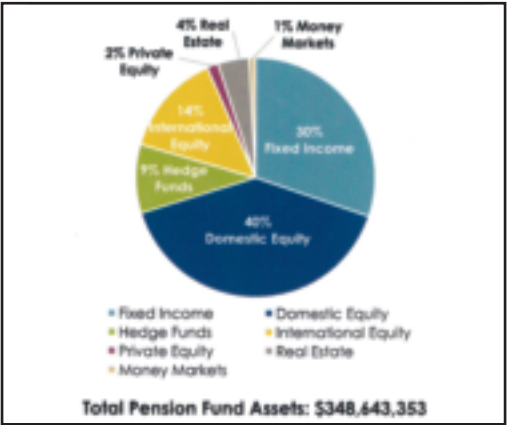
Diversification is key to the success of any long-term investment program. CERF’s investment portfolio is well-diversified with exposure to several different investment strategies (asset classes).

CERF’s portfolio structure is continually monitored by the investment consultant and Board of Directors for appropriateness given the investment objectives and guidelines. Assets are periodically rebalanced to keep the exposures to various investments within the stated ranges defined in the investment policy.

The portfolio’s current target asset allocation mix is 65% equity, 30% fixed income and 5% real assets (real estate). The portfolio has exposure to several sub-asset classes within each of these broad asset classes. Diversification is also an important element at the individual investment manager level. Each investment manager is expected to invest in a well-diversified portfolio of high quality securities.

The chart below depicts the pension fund’s asset allocation as of December 31, 2012:

Total Pension Fund Asset Allocation As of December 31, 2012



Equity Portfolio Design

CERF’s exposure to equities (stocks) is intended to provide opportunity for growth. CERF’s equity portfolio is diversified by sub-asset class (domestic stocks, international stocks, hedged equity funds and private equity), investment size (small, mid and large capitalization stocks), investment style (value and growth stocks) and investment management organization (specific money managers are responsible for managing specific pieces of the portfolio).

Fixed Income Portfolio Design

CERF’s fixed income (bond) investments are included in the portfolio to enhance diversification, as they are generally less sensitive to movements in the stock market than equities. The fixed income portfolio is intended to represent the broad fixed income markets, with an emphasis on high quality bonds. Different fixed income strategies are represented in the portfolio with varying diversification attributes such as quality, sector, geography and security type.

Investments

Real Assets Portfolio Design

Real assets typically behave differently than stocks and bonds, and therefore provide further diversification to an investment portfolio. CERF's portfolio includes an allocation to real estate, primarily through a diversified real estate fund.

The real assets portfolio is intended to be diversified by geographic location and property type, while maintaining strict quality requirements for each property, including leverage and occupancy rates.

2012 Year in Review

The global financial markets posted strong returns in 2012, although volatility remained high as investors struggled to navigate significant macroeconomic concerns. The continuing credit and political crisis in Europe, worries about a "hard landing" in China, the U.S. elections, and ultimately, the U.S. fiscal cliff drama all caused a great deal of uncertainty. The direction of global stock and bond markets each day was often driven by perceived progress, or lack thereof, on all of these fronts. Throughout the various crises, central bankers across the globe embarked on unprecedented monetary policies designed to stimulate the sluggish economies. This led to particularly strong results toward the end of the year, as the "worst case" scenarios did not come to fruition.

With progress made in Europe and concerns about China's economic growth abating, stocks, bonds and real estate assets generated sizeable returns in 2012 as investors were more willing to take risks. While there were some challenging months, particularly during the spring and summer, the rewards for taking a longer-term view and a disciplined approach to investing were significant. Large capitalization U.S. stocks (as measured by the S&P 500 Index) were up 16%, while other developed equity markets across the globe also generated strong returns. Riskier asset classes such as small capitalization stocks (particularly those linked to the financial and cyclical segments of the economy) and emerging markets stocks performed the best during the year.

With continued improvement in domestic economic conditions, corporate balance sheets and earnings remained strong. This resulted in positive returns across the bond markets as well, whether viewed from a quality, sector or maturity perspective. Within the corporate sector, 2012 was another year where lower quality credits advanced the most, as investors were buoyed by modest valuations on securities issued by formerly-distressed corporations with outsized opportunities for improvement in their financial condition.

The CERF Portfolio was able to capitalize on the positive returns in 2012, with the total plan assets returning nearly 14%. This has capped off a strong period of recovery from the financial crisis of 2008-2009, as evidenced by the better than 9% average annual growth over the past three years. These results were generated with modest risk, resulting in a favorable risk-adjusted return profile for the portfolio over all longer-term periods.

Ongoing Monitoring

The CERF Board of Directors works closely with their investment consultant to oversee all aspects of the investment program, including investment policy design and review, asset allocation review and ongoing manager due diligence.

CERF's investment managers provide regular updates on their portfolios to the consultant and CERF's staff. In addition, each investment manager presents a formal update to the Board on a periodic basis.

CERF's Board of Directors and their consultant meet each calendar quarter to review the investment portfolio in detail and to discuss and address specific issues. In addition, interim meetings are held as needed. This ensures that the monitoring and oversight process for CERF's investment portfolio is ongoing.

The CERF Board's primary focus regarding the retirement funds is to develop and implement an investment program which is designed to achieve the stated investment objectives in a prudent manner over a long-term time horizon.

Actuarial

PLAN MEMBERSHIP

AS OF JULY 1, 2012

Covered Payroll	\$357,441,466
Average Pay per Active Member	\$32,533

ANNUAL REQUIRED CONTRIBUTION

Unfunded Actuarial Accrued Liability (UAAL)	\$151,375,851
Amortization of UAAL, with interest to mid-year*	\$ 11,334,340
Normal Cost, with interest to mid-year	\$ 16,107,776
Reduction in Normal Cost for Member Contributions	\$ 8,735,541
Annual Required Contribution as a percent of payroll	\$ 18,706,575 5.23%

PLAN ASSETS

Market Value	\$326,820,719
Actuarial Value	\$331,189,281

FUNDED STATUS

Actuarial Present Value of Accrued Benefits (based on current pay)	\$412,607,856
Funded Ratios	
Accumulated Benefit Basis	80%
Actuarial Accrued Liability Basis	69%

* Until July 1, 2011, the UAAL was being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995. As of July 1, 2011, the UAAL amortization was started fresh over a 20-year period. New components of the UAAL will be amortized over new 20-year periods as such components arise.

County Employees'

Financial Statements



STATEMENT OF PLAN NET POSITION DECEMBER 31, 2012

ASSETS

Cash	\$ 1,830,262
Receivables:	
Member contributions	311,115
Member prior service contributions	131,408
County contributions	2,465,797
Receivable for pending investment sales	178,975
Accrued interest and dividends	738,790
Total receivables	<u>3,826,085</u>
Investments, at fair value	346,130,783
Invested securities lending collateral	46,947,061
Other assets	2,001
Capital assets, net of accumulated depreciation of \$2,273,197 and \$2,190,846	<u>3,758,382</u>
Total assets	<u>402,494,574</u>

LIABILITIES

Accounts payable	780,620
Accrued defined contribution plan funding	2,472,044
Other accrued expenses	167,542
Deferred revenue	145,497
Payable for pending investment purchases	1,690,142
Collateral for securities on loan	<u>48,323,210</u>
Total liabilities	<u>53,579,055</u>
Net position-restricted for pension benefits	<u>\$ 348,915,519</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

Retirement Fund

Financial Statements



STATEMENT OF CHANGES IN PLAN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2012

ADDITIONS:

Contributions:

County receipts	\$ 19,919,125
By members	9,412,122
For members, paid by counties	1,150,772
Members, purchase of prior service	85,145
Total contributions	<u>\$ 30,567,164</u>

Investment income (loss):

Investing activities:

Net appreciation (depreciation) in fair value of investments	35,630,796
Fixed income securities	2,632,257
Equity securities	3,653,395
Alternative investments	—
Other miscellaneous income	12,199
Total investment income	<u>41,928,647</u>
Investment expenses	<u>(1,902,165)</u>

Net income (loss) from investing activities	<u>40,026,482</u>
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Securities lending activities:

Income	161,070
Expenses	(42,640)
Net increase in fair value of re-invested collateral	370,227
Net income from securities lending activities	<u>488,657</u>
Total net investment income (loss)	<u>40,515,139</u>
Other income	<u>3,781</u>

Total additions	<u>71,086,084</u>
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DEDUCTIONS:

Benefits	20,273,110
Refunds of member contributions	3,185,425
Defined contribution plan matching contribution	2,472,044
Administrative expense	1,964,117
Total deductions	<u>27,894,696</u>

Net increase	43,191,388
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Net position-restricted for pension benefits

Beginning of year	305,724,131
End of year	<u>\$348,915,519</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

CERF Demographics

(Data as of December 31, 2012)

Active Participants	10,891
Retired Members and Beneficiaries	3,671
Terminated Vested Participants	1,825
Sum of Death Benefits (since inception)	\$ 3,959,948
Sum of Remaining Buy Back Balances	\$ 131,408
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$153,590,663
Average Gross Monthly Benefit	\$463.71

Summary of County Receipts for 2012

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Fees
\$5,550,327	\$1,086,122	\$7,798,546	\$55,342	\$9,412,122	\$1,150,772	\$5,478,788

County Employees' Retirement Fund

2121 Schotthill Woods Drive

Jefferson City, MO 65101

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Jefferson City, MO
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